

APR 09 2024

US DISTRICT COURT
WESTERN DISTRICT OF NC

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
STATESVILLE DIVISION

UNITED STATES OF AMERICA
ex rel. SIDESOLVE, LLC,

Plaintiff-Relator,

v.

TAIJI GROUP USA, INC.,

Defendant.

Case No. 5:24-cv-98-KDB

FILED UNDER SEAL

COMPLAINT

1. Relator Sidesolve LLC ("Relator") brings this action on behalf of itself and the United States of America against defendant Taiji Group USA, Inc. for violations of the federal False Claims Act, 31 U.S.C. §§ 3729 *et seq.*
2. This action seeks to recover funds that were loaned to Defendant through the federal Government's Paycheck Protection Program ("PPP") and forgiven as a result of false applications.
3. Sidesolve LLC is a company that uses data to investigate large-scale corporate fraud. Its goal is to use the technology it is developing to protect individuals on private healthcare plans. It is currently developing its technology using public databases. It uses computational statistics to match entities across multiple resources such as databases, social media, corporate filings, and other sources. From this broader picture, it finds fraud leads, which it follows up with a

more traditional manual investigation. In sum, Sidesolve LLC uses its expertise and proprietary technology to both collect the scattered pieces of the fraud puzzle and also to put them together into a complete picture of the alleged fraud.

4. While searching for potential PPP loan fraud in data released by the SBA, Sidesolve came across Taiji Group USA Inc., a subsidiary of the Chinese company Wuxi Taiji Paper Industry Company. Taiji Group USA had obtained forgiveness of \$274,189 for a Second Draw PPP loan, but because its owner is based in and operates in China, it was not eligible for the loan.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to 31 U.S.C. § 3732(a) and 28 U.S.C. §§ 1331, 1345.

6. Venue is proper in this district under 28 U.S.C. §§ 1391(b) and 31 U.S.C. § 3732(a), as the defendant resides or transacts business in this jurisdiction and violations of the False Claims Act described herein occurred in this district.

PARTIES

7. Defendant Taiji Group USA, Inc. ("Taiji Group"), a paper tube manufacturer, has a principal address of 405 Wortha Herman Road SW, Conover, NC 28613. At all relevant times, its president has been Meizong Yin.

8. Wuxi Taiji Paper Industry Co., Ltd. ("Wuxi Taiji") is located at Chunyu Road, Tuanjie Avenue, Dongting Town, Xishan Economic Development Zone,

Wuxi City, Jiangsu Province, P. R. China. At all relevant times, its president has also been Meizong Yin.

9. Upon information and belief, Wuxi Taiji is the parent company of Taiji Group.

10. For example, Wuxi Taiji's website states that it has plants throughout China and also in North Carolina, and that Taiji Group USA Inc. is one of its "branches."

11. 2013 news articles¹ similarly cited Wuxi Taiji as the firm investing in the Conover factory, including quoting President Yin.

12. Alternatively, Taiji Group's website explains that "TAIJI Chemical Fiber Equipment LLC was founded in 1994 and has established branches in Qindao, Wuxi, Yantai, Zhuhai, Fujian, Nanxun and Shaoxin. In 2013 TAIJI Group USA also became the first Chinese paper tube manufacturer in the USA." Wuxi Taiji was also founded in 1994 and has facilities in those same locations, and so, upon information and belief, TAIJI Chemical Fiber Equipment LLC ("Taiji Chemical") and Wuxi Taiji are either the same company or affiliated.

13. Regardless, whether Wuxi Taiji or Taiji Chemical owns Taiji Group, Taiji

¹ <https://www.areadevelopment.com/newsitems/1-28-2013/taiji-paper-industry-company-us-headquarters-conover-north-carolina4892493.shtml>; *see also* https://journalnow.com/chinese-company-opening-plant-in-conover-creating-about-80-jobs/article_ba5151d6-66f4-11e2-8579-0019bb30f31a.html; <https://www.commerce.nc.gov/sync-archive-0492013/open>

Group is owned by an entity created in the People's Republic of China and with significant operations in China.

THE PAYCHECK PROTECTION PROGRAM

14. During the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Section 1102 of the CARES Act contains a program called the Paycheck Protection Program ("PPP"), a program administered by the U.S. Small Business Administration ("SBA") to provide economic relief to small businesses nationwide adversely impacted by the coronavirus pandemic.

15. Section 1102 of the CARES Act temporarily permitted SBA to guarantee 100% of the PPP loans. Section 1106 of the CARES Act provided for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP.

16. The CARES Act gives lenders delegated authority to process loan applications for PPP funding. SBA allowed lenders to rely on certifications of the borrowers in order to determine eligibility of the borrower and use of loan proceeds, and to rely on specified documents provided by the borrower to determine qualifying loan amount, and eligibility for loan forgiveness.

17. The Economic Aid Act (P.L. 116-260, in the Consolidated Appropriations Act of 2021), authorized and funded a Second Draw PPP Loan program.

18. For Second Draw PPP Loans, lenders were compensated by the federal

government via processing fees based on the balance of the financing outstanding at the time of final disbursement, in the amount of five (5) percent for loans of more than \$50,000 and not more than \$350,000, and in the amount of three (3) percent for loans above \$350,000.

19. In general, the maximum amount borrowers could borrow was calculated by aggregating payroll costs from the previous year, with annual employee salaries capped at \$100,000. The borrower then calculated the average monthly payroll cost and multiplied that amount by a factor of 2.5.

20. Each borrower certified on the Second Draw loan applications that they were eligible to receive the loan under the program guidelines and that their applications and supporting documentation were accurate.

21. Borrowers were able to seek forgiveness of the loans if the funds were used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities.

PPP LOAN SCHEME

22. Taiji Group USA, Inc. was approved for a First Draw PPP loan of \$254,415 by Wells Fargo on May 1, 2020. It reported 45 jobs. The entire loan amount, plus interest, was forgiven.

23. Taiji Group USA, Inc. was approved for a Second Draw PPP loan of \$271,165 by Wells Fargo Bank on March 27, 2021. It reported 50 jobs. The entire

loan amount, plus interest, was forgiven, a total of \$274,189.

24. Pursuant to 15 U.S.C. § 636(a)(37)(iv)(I)(cc), the term “eligible entity” for PPP Second Draw Loans did not include any business concern or entity:

(AA) for which an entity created in or organized under the laws of the People’s Republic of China or the Special Administrative Region of Hong Kong, or that has significant operations in the People’s Republic of China or the Special Administrative Region of Hong Kong, owns or holds, directly or indirectly, not less than 20 percent of the economic interest of the business concern or entity, including as equity shares or a capital or profit interest in a limited liability company or partnership; or

(BB) that retains, as a member of the board of directors of the business concern, a person who is a resident of the People’s Republic of China...

25. Version one of the PPP Second Draw Borrower Application Form, effective January 8, 2021, required the applicant to certify in good faith that, *inter alia*:

The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) and the Department of the Treasury (Treasury) implementing Second Draw Paycheck Protection Program Loans under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the Paycheck Protection Program Rules).

26. The applicant was also required to “certify in good faith” by initialing that:

The Applicant is not a business concern or entity (a) for which an entity created in or organized under the laws of the People’s Republic of China or the Special Administrative Region of Hong Kong, or that has significant operations in the People’s Republic of China or the Special Administrative Region of Hong Kong, owns or holds, directly or indirectly,

not less than 20 percent of the economic interest of the business concern or entity, including as equity shares or a capital or profit interest in a limited liability company or partnership; or (b) that retains, as a member of the board of directors of the business concern, a person who is a resident of the People's Republic of China.

...

I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

27. Subsequent versions of the application form had similar certifications.
28. These certifications were false when made by Taiji Group because, at the time of the application, it was owned by a parent company created in China and with significant operations in China.
29. Taiji Group should be required to repay the loan, interest, and processing fees, with penalties.

COUNT I
VIOLATIONS OF 31 U.S.C. § 3729
FALSE CLAIMS ACT

30. Relator hereby incorporates and realleges all other paragraphs as if fully set forth herein.

31. As set forth above, Defendant knowingly presented or caused to be presented false or fraudulent claims for payment or approval, in violation of 31 U.S.C. § 3729(a)(1)(A).

32. As set forth above, Defendant knowingly made, used, or caused to be made or used, false records or statements material to numerous false claims, in violation of the False Claims Act, 31 U.S.C. § 3729(a)(1)(B).

33. Due to Defendant's conduct, the United States Government has suffered substantial monetary damages and is entitled to recover treble damages and a civil penalty for each false claim, record, or statement. 31 U.S.C. § 3729.

34. Relator is entitled to reasonable attorneys' fees, costs, and expenses. 31 U.S.C. § 3730(d)(1).

PRAYER FOR RELIEF

WHEREFORE, Relator prays for judgment against Defendant:

(a) awarding the United States treble damages sustained by it for each of the false claims;

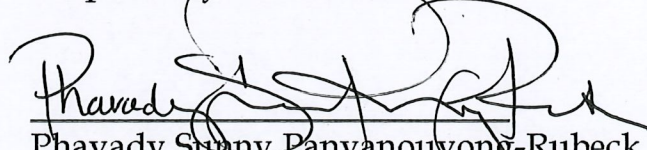
(b) awarding the United States a maximum civil penalty for each of the false claims and statements;

- (c) awarding Relator the maximum relator's share of the proceeds of this action and any alternate remedy or the settlement of any such claim;
- (d) awarding Relator litigation costs and reasonable attorneys' fees and expenses; and
- (e) granting such other relief as the Court may deem just and proper.

DEMAND FOR JURY TRIAL

Relator hereby respectfully demands trial by jury on all issues and counts triable as of right before a jury.

Respectfully submitted,



Phavady Sunny Panyanouvong-Rubeck
North Carolina Bar Number: 39966

HKM Employment Attorneys LLP

3623 Latrobe Drive, Unit 122

Charlotte, NC 28211

Telephone: (980) 734-3851

spanyanouvong-rubeck@hkm.com

Jason Marcus (*applying for pro hac vice*)

Georgia Bar No. 949698

Bracker & Marcus LLC

3355 Lenox Road, Suite 660

Atlanta, Georgia 30326

Telephone: (770) 988-5035

Facsimile: (678) 648-5544

Jason@fcacounsel.com